Supreme Court, U.S.
FILED
AUG 15
OFFICE OF THE CLERK

No. 00-11

IN THE
Supreme Court of the United States

SONY COMPUTER ENTERTAINMENT INC., *et al.*,

Petitioners,

v.

CONNECTIX CORPORATION,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

REPLY BRIEF FOR PETITIONERS

JAMES G. GILLILAND, JR.
TOWNSEND AND TOWNSEND AND CREW LLP
Two Embarcadero Center
Eighth Floor
San Francisco, CA 94111
(415) 576-0200

Of Counsel:
MORTON DAVID GOLDBERG
COWAN, LIEBOWITZ & LATMAN, PC
1133 Avenue of the Americas
New York, NY 10036
(212) 790-9200

NORY MILLER*
PAUL M. SMITH
LARA M. FLINT
JENNER & BLOCK
601 Thirteenth Street, N.W.
Washington, DC 20005
(202) 639-6000

RILEY R. RUSSELL
SONY COMPUTER ENTERTAINMENT AMERICA INC.
919 E. Hillsdale Blvd.
Foster City, CA 94404
(650) 655-8040

**Counsel of Record*

August 15, 2000

PRESS OF BYRON S. ADAMS ✦ WASHINGTON, DC ✦ 1-800-347-8208

13 pp

TABLE OF AUTHORITIES

CASES

AT&T Corp. v. Iowa Utilities Board, 525 U.S. 366 (1999) 10

Bateman v. Mnemonics, Inc., 79 F.3d 1532 (11th Cir. 1996) 8

Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569 (1994) 3, 4

DSC Communications Corp. v. DGI Technologies, Inc., 81 F.3d 597 (5th Cir. 1996) 8

DSC Communications Corp. v. Pulse Communications, Inc., 170 F.3d 1354 (Fed. Cir.), *cert. denied*, 120 S. Ct. 286 (1999) 8, 10

Harper & Row Publishers, Inc. v. Nation Enterprises, 471 U.S. 539 (1985) 3, 9

Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417 (1984) 4

Twin Peaks Product, Inc. v. Publ. International, Ltd., 996 F.2d 1366 (2d Cir. 1993) 9

United States National Bank of Oregon v. Independent Insurance Agents of America, Inc., 508 U.S. 439 (1993) 5

STATUTES

17 U.S.C. § 107 3

17 U.S.C. § 1201(c)(1) 7

17 U.S.C. § 1201(f) 6, 7

LEGISLATIVE MATERIAL

H.R. Rep. No. 105-551 (Committee on Commerce July 22, 1998) 7

MISCELLANEOUS

Duncan M. Davidson, *Common Law, Uncommon Software*, 47 U. Pitt. L. Rev. 1037 (1986) 5

Arthur R. Miller, *Copyright Protection for Computer Programs, Databases, and Computer-Generated Works*, 106 Harv. L. Rev. 977 (1993) 5

1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* (Matthew Bender & Co. 1999) 7

REPLY BRIEF FOR PETITIONER

Nothing in Connectix's opposition weakens the case for review or supports the Ninth Circuit's decision. Connectix's argument that the decision below is merely a fact-based application of settled law mischaracterizes both the Ninth Circuit's ruling and the case law and statutory provisions Connectix cites. The Ninth Circuit promulgated what can fairly be understood as a *per se* rule excusing as fair use *all* intermediate copying of software – even for the purpose of quickly and inexpensively making a product that emulates the copyrighted program – because the *one* fact the court found determinative at every stage of its analysis was that this was intermediate copying of software. Such a *per se* rule excusing intermediate copying of software has never been adopted by Congress, by this Court, or by any other circuit, and is fundamentally inconsistent with the fair use doctrine.

1. The Ninth Circuit's analysis of the fair use factors renders irrelevant any circumstances that could distinguish among intermediate copiers of software, circumstances such as the infringer's purpose, whether the infringer independently developed any software separate from that based on intermediate copying, and whether the copying provided the infringer with access to other intellectual property such as trade secrets. Indeed, Connectix itself concedes that the court's interpretation of the second factor – the nature of the copyrighted work – favors the infringer whenever the work's unprotected ideas and functions are not readily "visible." Op. Cert. 13. Because software is customarily issued commercially in machine-readable form, and therefore the underlying ideas and functions are not readily "visible," the court's approach predetermines the result under the second factor to favor the infringer in every instance.

The Ninth Circuit's approach also predetermines the result to favor the infringer under the first and fourth fair use factors in every case of intermediate copying of software. In analyzing

the first factor – the purpose and character of the use – the court held that copying used to make a non-infringing end product is necessarily a "transformative" use. Pet. App. 19a. The court further held that the infringer's commercial motives do not militate against fair use because such a commercial use is "'indirect or derivative.'" *Id.* at 20a (quoting *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1522 (9th Cir. 1993)). Because infringement by intermediate copying *always* leads to a non-infringing final product – by definition – the Ninth Circuit has held that the first factor can never weigh against such copying of software. Connectix's claim that the court drew conclusions specific to individual circumstances ignores the court's ruling that drafting new object code is *invariably* transformative – a ruling that renders immaterial any other comments by the court about the desirability of making a different platform available for playing PlayStation® games.

Similarly, under the Ninth Circuit's analysis, the fourth factor – the effect on the copyright holder's potential market – never weighs against intermediate copying of software because it is by its very nature "legitimate" competition benefitting the public. *Id.* at 21a. Connectix desperately claims that the court found "no evidence of a substantial loss of PlayStation sales," that this finding was a basis for its determination that the fourth factor weighed in favor of Connectix, and that "the court's analysis may well have been different had there been evidence of a substantial market impact." Op. Cert. 14-15. But these claims are an exercise in sheer fabrication. The court of appeals assumed Sony *would* suffer economic loss, Pet. App. 21a. That assumption was rooted in the undisturbed district court finding "that Sony has, and will, lose sales of its PlayStation® console" because of Connectix's emulation software, *id.* at 42a. The Ninth Circuit's ruling was based on a *legal* conclusion that market impact does not matter when the infringement at issue is intermediate copying of software.

Thus, even though consideration of market impact is required by the statute and governing precedent, *see* 17 U.S.C. § 107; *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 550 (1985), the Ninth Circuit disregarded both, and created its own rule that the impact on the copyright holder's market is irrelevant.[1]

2. The Ninth Circuit's *per se* rule is scarcely the well-settled law Connectix claims. Certainly this Court has never approved the *Sega* decision, much less the far broader rule, built on *Sega*, adopted below. Its sole acknowledgment of *Sega* has been to include it in a "See generally" string cite in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 585 (1994), in explaining that commercial use is not entitled to controlling significance but must be weighed along with other factors in fair use decisions. Indeed, in the same paragraph, the Court condemned the use of any *per se* rule as counter "to the long common-law tradition of fair use adjudication." *Id.* Connectix's claim that the Court expressly *approved* the *Sega* holding, or its broader reasoning, and Connectix's fanciful suggestion that the Court's discussion of parody in *Campbell* controls here, Op. Cert. 9, are not sufficiently close to the truth even to be called exaggerations.

3. Congress also has never approved the broad rule adopted below. To the contrary, Connectix's claim that the decision below is consistent with the Copyright Act because overriding

---

[1]Connectix's unexplained assertion that the software it copied is not important to the value of the PlayStation® console, Op. Cert. 2 & n.1, may be aimed at the third factor – the amount and substantiality of the portion used – but its point is unclear. Unimportance might be a reason not to copy the software, but Connectix chose otherwise, copying the software repeatedly at every stage of its emulation process. Thus, the court's conclusion that the third factor weighs against Connectix is unassailable, and the court's decision to assign it very little weight, Pet. App. 17a, is just another element of its *per se* rule excusing intermediate copying of software.

copyright holders' protection will stimulate artistic creativity, *id.* at 6-7, misunderstands both the Act and the constitutional provision authorizing Congress to enact it. The fundamental premise underlying both is that the best means "to stimulate artistic creativity for the general public good" is to provide incentives to authors by giving them the right to, *inter alia*, prevent copying of their works – not by taking those rights away and giving others *carte blanche* to free-ride on their efforts. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 432 (1984). The Ninth Circuit's *per se* rule, by rendering software unprotected from exploitation by those who would use intermediate copying to turn out competing products at far lower cost, is antithetical to that premise.

Congress has made clear that software is protected under the copyright laws. But the Ninth Circuit, in its desire to render unprotected aspects of software accessible, promulgated a rule that denies copyright holders their right to prevent copying of the protected aspects – even when copying undermines the very incentives that lie at the heart of the Act. By promulgating a rule authorizing intermediate copying regardless of the surrounding circumstances, the Ninth Circuit has left software drastically underprotected, a result *inconsistent* with the Copyright Act. "[U]nderprotection of copyright disserves the goals of copyright just as much as overprotection, by reducing the financial incentive to create." *Campbell*, 510 U.S. at 599 (Kennedy, concurring). Indeed, such a general exception had been urged on Congress, and rejected. Pet. at 17-21. Connectix's feeble attempt to wave off the import of that history by dismissing the CONTU report as a "22-year-old report by an outside group," Op. Cert. 9, insults Congress, which appointed the Commission and followed its

recommendations, and shows ignorance of the value of contemporaneous documents.[2]

Moreover, it is highly debatable whether, as a *factual* matter, overriding software authors' copyrights will best stimulate creativity. If Connectix had not piggybacked on Sony's work, it might have created better operating software and new games. Rendering emulation costless may well discourage creativity because emulation is cheaper and easier and undercuts the incentives available to authors of genuinely original software. *See, e.g.*, Arthur R. Miller, *Copyright Protection for Computer Programs, Databases, and Computer-Generated Works*, 106 Harv. L. Rev. 977, 1026-27 (1993); Duncan M. Davidson, *Common Law, Uncommon Software*, 47 U. Pitt. L. Rev. 1037, 1097-98 (1986). In any event, this is a policy judgment that Congress has already made by giving software copyright protection that the Ninth Circuit's ruling severely undercuts.

4. Section 1201(f) neither provides the exception to copyright protection Connectix needs, nor suggests that Congress would approve judicial creation of such an exception. Rather, the exception to section 1201's prohibition against circumventing measures aimed at controlling access to copyrighted works is carefully limited in a manner that indicates Congress's *disapproval*. The exception applies only if (1) the reverse engineering is undertaken "for the purpose of enabling

---

[2]Moreover, Connectix's assertion that Sony's claim was not properly preserved is wrong as a matter of law and fact. Sony's claim has been consistent from the outset: Connectix's infringement is not excused as fair use. *See United States Nat'l Bank of Oregon v. Indep. Ins. Agents of Am., Inc.*, 508 U.S. 439, 446-47 (1993). Further, Sony specifically raised both the CONTU Report and section 117 below to explain Congress's intended protection of software. *See* Pls.' Reply Mem., Case No. C99-00390 CAL at 5 & n.4, 6 n.5 (N.D. Cal. filed Mar. 31, 1999).

interoperability of *an independently created* computer program," (2) "such means are *necessary* to achieve such interoperability," and (3) identifying and analyzing the elements of the software "*do not constitute infringement*" under the Copyright Act. 17 U.S.C. § 1201(f)(1) (emphasis added); § 1201(f)(2) & (f)(3) (same).

These limitations make clear that the Senate Judiciary Committee's interest in preserving *Sega* was an interest in preserving its actual holding, not the open-ended reasoning taken even further by the decision below. The actual decision in *Sega* is that the fair use doctrine permitted the author of an entirely original video game (Accolade) to reverse engineer Sega's code in order to make its *independently created* game compatible with Sega's console. Connectix attempts to wriggle within this definition by claiming to have *independently* written its VGS software. Op. Cert. 2. By that, however, Connectix means only that Sony engineers did not provide direct technical assistance, *id.* at 3, and that its end product is new code. By "independently created," *Congress* meant that an author, like Accolade, independently created software without reverse engineering, and turned to reverse engineering simply to make that software interoperable.[3]

The House Commerce Committee Report, issued after the Senate Report, further evidences Congress's view by

---

[3]To the extent that Connectix is suggesting that "independently created" means *only* "drafted without technical assistance from the copyright holder," that reading is plainly wrong because it would render Congress's "independently created" limitation meaningless. A company working in cooperation with the copyright holder would not need to circumvent anti-access measures because the copyright holder would provide access. Congress's words cannot be so conveniently rendered superfluous. Instead, Congress found the limitation sufficiently critical to include it in each of the three substantive sections of section 1201(f).

explaining that not only must there be an "independently created program," but the "resulting product must *also* be a new and original work." H.R. Rep. No. 105-551, pt. 2, at 42 (Committee on Commerce, July 22, 1998) (emphasis added). Thus, Congress sought to encourage reverse engineering only where (1) a copier brings an independently created program to the table, *and* (2) it drafts new code with whatever it learns from reverse engineering. The text of the statute reflects Congress's intent in its anticipation that someone covered by the exception would be seeking access "to a particular portion" of a program, § 1201(f)(1), such as an unlocking code – not, like Connectix, to the *entire* program in order to emulate it.

Rather than indicating Congress's approval of the *per se* rule adopted below, section 1201(f) thus shows Congress's *disapproval* and its special effort to narrowly limit the anti-circumvention exception to the circumstances at issue in *Sega*. Preeminent copyright scholar David Nimmer observes in his multi-volume treatise that *Sega*'s approach provides a framework for finding reverse engineering more generally to be fair use, but he reads section 1201(f) as "narrower," and not as a codification of that court's reasoning. 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 12.04[C][3] at 12A-42 (Matthew Bender & Co. 1999).[4]

In sum, had Connectix circumvented a protection measure prohibited by section 1201(a), it could not have found relief under section 1201(f). Even by analogy – as section 1201 does not itself govern copyright protection – the provision cannot

---

[4]Furthermore, Congress left open whether it viewed even the copying sanctioned in *Sega* a fair use, qualifying the circumvention exception for purposes of such copying by adding in every substantive section: "to the extent any such acts . . . do not constitute infringement." 17 U.S.C. § 1201(f)(1); § 1201(f)(2) & (f)(3) (same); *see also* § 1201(c)(1) (providing that section 1201 does not affect rights or defenses under copyright).

help Connectix or support a decision that excuses infringement of a computer program for the purpose of emulating it to make a market substitute.

5. No other circuit has promulgated the broad rule adopted below. In *Bateman v. Mnemonics, Inc.*, the defendant had developed application software and then reverse engineered the plaintiff's operating software to make its own program compatible with plaintiff's. 79 F.3d 1532, 1539 (11th Cir. 1996). The purpose of the copying, therefore, was like Accolade's in *Sega*. The court, however, did not undertake a fair use analysis, but remanded because the jury had not been instructed to consider possible defenses to literal copying, including merger, standard technique, and considerations of compatibility. *Id.* at 1545.

In the two *DSC* cases, neither court found the copying at issue excused as fair use. In *DSC Communications Corp. v. Pulse Communications, Inc.*, 170 F.3d 1354 (Fed. Cir.), *cert. denied*, 120 S. Ct. 286 (1999), the court found that the purpose of the copying at issue – to market defendant's product – was not a fair use. *Id.* at 1363.[5] The court's discussion of *Sega* was entirely *dicta* and, as in *Bateman*, the copying at issue was undertaken in a context similar to the circumstances of *Sega*. In *DSC Communications Corp. v. DGI Technologies, Inc.*, 81 F.3d 597 (5th Cir. 1996), the issues before the court did not include reverse engineering or fair use. *Id.* at 601.[6]

---

[5]Connectix actually cites the lower court decision, Op. Cert. 9-10, but the Federal Circuit reversed the very fair use decision it is cited for.

[6]The circuit court affirmed the trial court's decision not to enjoin DGI from operating a DSC switch (thereby copying the operating software into memory) to test its microprocessor card. Connectix actually relies on a different trial court decision – one not reviewed by the Fifth Circuit – denying injunctive relief for the copying of different software.

No other circuit court has held or even suggested that fair use excuses *all* intermediate copying of software, including that undertaken just to make an emulation product. To the contrary, outside the Ninth Circuit, copying done to develop a market substitute is considered *unfair* in every context where it has arisen. *See Harper & Row*, 471 U.S. at 550; *Twin Peaks Prods., Inc. v. Publ'ns. Int'l, Ltd.*, 996 F.2d 1366, 1377 (2d Cir. 1993).

6. Connectix's defense of the Ninth Circuit's further holding – excusing the extra copying Connectix's own engineers admitted was not the only method available – is internally inconsistent. Connectix argues both that the court found the copying to be "necessary" and that the court held only that this copying did not merit injunctive relief. Op. Cert. i, 15-16. The first characterization is the true one. Pet. App. 14a, 22a.[7] The court held that "necessary" does not mean the only method available. *Id.* at 15a-16a. Instead, copying qualifies as necessary if it was merely useful and efficient. *Id.* at 16a. Thus, Connectix's additional copying of Sony's BIOS – not to reverse engineer the BIOS, but to use it in preparation of substitutes for other components and later in making an emulator for Windows-based computers – was found "necessary" because it would have been more difficult or expensive to use other methods. *Id.*

It is that decision that is inconsistent with *DSC v. Pulse Communications*'s holding that fair use does not excuse all copying done to explore the operation of a product that uses

---

[7]The copying that court found insufficient to justify injunctive relief was Connectix's downloading an outmoded version of Sony's BIOS from the Internet. *See id.* at 22a n.11 ("We do not accept Sony's argument that the downloading of Sony's BIOS from the Internet was itself an infringement justifying this injunction."), *id.* at 26a.

copyrighted software. 170 F.3d at 1363. *See also AT&T Corp. v. Iowa Utils. Bd.*, 525 U.S. 366, 389-90 (1999) (FCC definition of "necessary" network elements as those required to minimize competitors' costs and maximize quality of their services is "simply not in accord with the ordinary and fair meaning" of the term).

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

JAMES G. GILLILAND, JR.
TOWNSEND AND TOWNSEND AND CREW LLP
Two Embarcadero Center
Eighth Floor
San Francisco, CA 94111
(415) 576-0200

Of Counsel:
MORTON DAVID GOLDBERG
COWAN, LIEBOWITZ & LATMAN, PC
1133 Avenue of the Americas
New York, NY 10036
(212) 790-9200

NORY MILLER*
PAUL M. SMITH
LARA M. FLINT
JENNER & BLOCK
601 Thirteenth Street, N.W.
Washington, DC 20005
(202) 639-6000

RILEY R. RUSSELL
SONY COMPUTER ENTERTAINMENT AMERICA INC.
919 E. Hillsdale Blvd.
Foster City, CA 94404
(650) 655-8040

**Counsel of Record*

August 15, 2000